



Bringing a new level of intelligence – artificial intelligence – to your audit.

Emerging technologies can shine light on risks now lurking in your data.

Audit time is never an easy time. Questions always loom. Is accounts receivable keeping up with invoicing? Will inventory track with sales? Are all the numbers being accurately entered in the right places, at the right times ... all the time?

The bigger your business, the bigger the worry. And at its heart is data. Thousands and thousands of lines of data, where risk in all its forms can reside *and* hide.

Identifying these risks with existing audit practices is a lengthy, time-consuming process, one that relies on *samplings* of data. Even the best audit firms can't assure complete accuracy when using sampling – and risks missed, whether by fraud or human error, can prove very costly.

How costly? A recent study of 2,690 fraud cases around the world by the Association of Certified Fraud Examiners found a median loss of \$108,000 in revenue per fraud in the United States.¹ Smaller businesses, those with 100 employees or less, lost almost twice as much per fraud as larger businesses because they typically have fewer anti-fraud controls, the ACFE study found.

“AI’s value for auditors, in specific, is its ability to analyze complete sets of data – quickly and more accurately than humans alone.”

And unfound risk isn't just about revenue. Audits with errors can also draw the increased scrutiny of regulatory authorities, and in some cases even generate bad, business-damaging publicity.

With the introduction of artificial intelligence into the audit process, JCCS and other forward-thinking accounting firms are not only building a heightened level of confidence in the audit process, they are able to generate reports on a much faster timeline. Having an AI system crunch all the numbers frees audit professionals to focus on value-added activities like helping clients analyze ratios and trends, and better prepare for their futures.





JCCS client success story – retail

Client / Existing system

A retail client with multiple locations has in excess of a million lines of transactions posted annually.

Pain points

- Enforcing a uniform set of accounting processes and procedures across multiple locations.
- Lack of ability to effectively test the population of transactions to identify those that may be recorded improperly or fraudulently.

AI auditing solution

- Its AI auditing tools allow JCCS to test entire populations of transactions, in minutes, against an expansive list of transaction control points.
- The AI auditing tools also quickly identify the highest-risk transactions without the inefficiencies of traditional sampling techniques.
- By directing JCCS to the highest-risk transactions in less time, the audit team can focus valuable engagement time on analyzing the areas that present the greatest risk to the client rather than spending that time using time-consuming and potentially unreliable methods of identifying risk.

AI isn't scary. You use it every day.

Artificial intelligence isn't new. It's a term coined back in the 1950s and it refers to a computer's ability to think and learn.

There are different forms of AI, such as machine learning, which you use every day. The spam filter on your computer uses AI to filter out junk emails based on your email use. Ride-hailing apps like Uber and Lyft use AI to minimize detours and reduce ETAs. Gaming apps, online

music streaming services, and, of course, social media all use AI to glean insights from the streams of data we all produce in the course of our daily activities.

AI's value for auditors, in specific, is its ability to analyze complete sets of data – quickly and more accurately than humans alone.

Supercharging the audit process.

In a traditional audit, auditors review transactions in small sets, or samples. These samples may be taken randomly or taken from areas already known to be of greater risk, such as transactions of high monetary value. Auditors with deep knowledge of a client and its industry may also choose to sample from specific, higher-risk areas of the business.

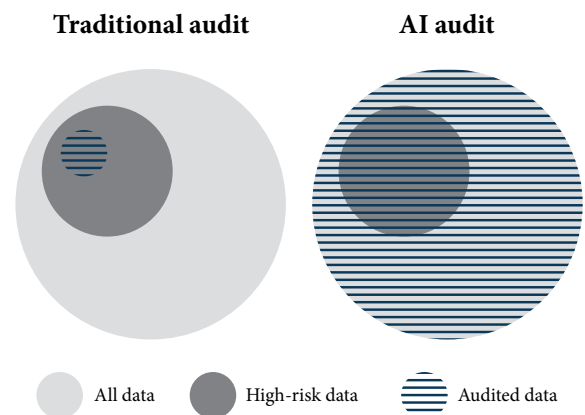
But no matter how broad and thorough these samples may be, they are just that: samples. What's been missed, is what's the worry.

Using its AI platform to look at *all* of a client's data, not just samples, JCCS can help its clients get a more complete picture of their business data and can more accurately identify:

- Outlier transactions
- Strange numbers
- Transactions that take place at odd times
- Transactions made by unauthorized personnel
- Unintentional errors

The AI platform can also pinpoint areas that may not be risky now but promise to pose problems later if not addressed.

And AI does all this faster than even the largest team of auditors put to the task. How fast? An AI audit of a small business' books can be done in but a few minutes.



“The more data AI sees with each client audit cycle, the smarter it gets in its analytics and predictions.”

Auditors still rule.

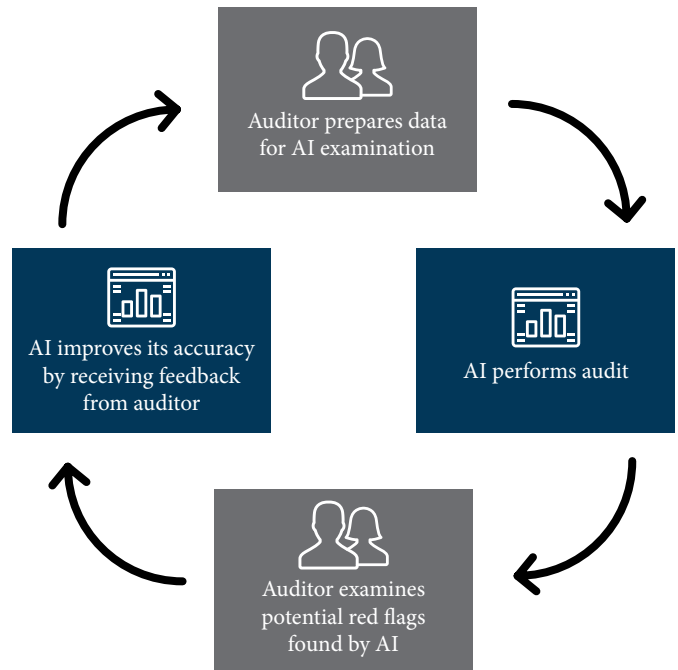
Successful implementation and execution of AI in audit still requires the ongoing input, oversight and knowledge of auditors. For one thing, making sure that the data fed to the AI platform is clean is key. For additional accuracy and power, JCCS can connect a client's AI-augmented audit work to the accounting firm's [cloud service](#) – a computer network service that “cleans” and stores all of a company's data as well as adds tabulations and analysis.

The more data AI sees with each client audit cycle, the smarter it gets in its analytics and predictions.

A transaction identified as risk in the first AI tabulation, for example, may actually be expected and correct for that client's specific business; JCCS auditors can train the platform to account for that in the future. JCCS professionals monitor the conclusions made by the AI platform for thoroughness and accuracy of the data, for points AI flags that in reality are totally correct for that given client or industry, and for information that leads to valuable insights.

With AI reports, based on all data available, JCCS has greater insights to share with clients, adding even more value to the relationship beyond the actual audit report itself.

Auditors and AI working in tandem



JCCS client success story – restaurant group

Client / Existing system

A restaurant group with five locations across three cities, and a semiretired majority owner, needed stronger reporting and analysis than its existing system provided.

Pain points

- The restaurant group's team of accountants and a controller handle all accounting internally from a main office for all five restaurant locations.
- The volume of transactions processed across the five entities, and the subsequent reporting to the majority owner, is time-consuming and limits the ability of the controller to perform any additional analysis of trends and ratios, and future financial projections.

AI auditing solution

- In addition to the power of testing thousands of transactions in seconds, JCCS uses its AI auditing tools to prepare key analytics that provide insights into current and five-year trends for the company.
- The analytics generated now are a powerful tool for providing valuable information for the company, including key analysis of balance sheet trends, risk comparisons by year, profitability ratios and activity ratios.

Keeping risk where it belongs.

Risk is inherent in any business. But the audit professionals at JCCS believe that risk should come from introducing new product lines and opening new markets, not from the data buried in your financials.

Its AI-driven audits reduce risks in the right places, so clients can take the right risks needed to grow in the right ways.

To learn more about JCCS' AI-powered audits contact:



Tony Vanorny

tony.vanorny@jccscpa.com

(406) 751-6198

1. Association of Certified Fraud Examiners, Report to the Nations: 2018 Global Study on Occupational Fraud and Abuse, <https://www.acfe.com/report-to-the-nations/2018/> and <https://s3-us-west-2.amazonaws.com/acfe-public/2018-report-to-the-nations.pdf>, p. 4 and 7, accessed September 25, 2019.



JCCS client success story – nonprofit

Client / Existing system

A small nonprofit with a volunteer board and a limited accounting staff had difficulty keeping up with accounting and reporting tasks.

Pain points

- The staff comprises an executive director, one program manager and a part-time bookkeeper.
- The organization receives a significant volume of donations over the course of the year and two operational grants to fund its charitable programs.
- The organization has limited resources to hire an external auditor.
- The volunteer board has limited time to engage in the daily operations of the organization.

AI auditing solution

- JCCS uses its AI auditing tools to generate a summary of the risk present within any population of transactions and present a list of the transactions that fall in the highest-risk categories.
- The organization can use that breakdown of transactions to focus its time and resources on mitigation of risk within the organization and appropriately deploy external compliance procedures.
- By giving this small organization the ability to quickly focus its resources on the highest-risk transactions, JCCS' AI-powered capabilities provide peace of mind to the board and staff that all transactions now are being properly recorded despite limited accounting resources.